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MARKETING PROFESSIONAL ACCOUNTING SERVICES

A new environment is altering the ways CPA firms market their services. For example, firms are changing the ways they obtain clients and price their services, and they now have greater interest in advertising and public relations activities—holding seminars, giving speeches, writing articles and the like. These are trends which are likely to get stronger in coming years.

A presentation by Ray S. Hibbs, CPA, of Minneapolis, at the AICPA's recent management of an accounting practice conference in Las Vegas, dealt with marketing professional accounting services in this new environment. Here are some suggestions based on comments at that session.

Two prerequisites are needed to start a marketing program. Appoint somebody who has clout in the firm to be in charge of it—someone who can get things done. Second, find out how partners and staff see the firm and how they think clients and other people see it. You often discover how partners and staff members perceive the firm by asking them

- ☐ How effective they think the firm has been in its practice development activities during the past few years, and how they think the business community views the firm.
- ☐ To rate the firm's relationships with centers of influence such as banks, law firms and insurance and real estate agents.
- ☐ How well they think the firm serves different types of clients, and how it compares with others in the area on overall service and in attracting new business clients.
- ☐ What they think is the primary reason for the firm losing a client, and where they believe the firm's greatest competition will come from during the next five years.

You can also question other groups for their opinions of the firm. Former clients, local press people, professors, students, spouses, etc., will all be able to give you valuable insights into how the firm is perceived in the community. Meetings with former clients can be especially enlightening. You may learn quite a bit about your practice, for example, that partners are not getting the support they should be getting from the firm.

The next step is to determine what the firm's objectives are and how it will become a leader in terms of specialties in the marketplace. To do this, you will have to

- ☐ *Define your market* for the area to be served, the desired size and types of clients, industry specialization and types of services to be offered.
- ☐ *Find out who your competitors are* and try to determine their strengths, weaknesses and strategies. Are they aggressive or passive, and do they provide past-oriented or future-oriented services?
- ☐ *Analyze clients' needs* by putting yourself in their shoes. Ask yourself what you would want if you owned a particular business.

Most of an accounting firm's services to clients are those of a historian (e.g., auditing), which makes it difficult for clients to determine the quality of a service or its value to them. This drawback can be largely overcome through use of a management letter that lets a client know that the CPA can help solve his problems.

When you have gone through the steps outlined, you are in a position to decide on specific elements

What's Inside . . .

of your marketing program such as the amount you intend to spend, how you will develop information on target clients and what problems you are offering to solve for clients. You must also make decisions on such things as how much research will be conducted, and how much of the marketing program will involve personal selling, public relations and advertising.

Although an advertising and public relations campaign is a new area for most CPA firms, you will find that it can be organized just like any other program. You must establish objectives, prepare a budget, select competent counsel and measure results.

When selecting an agency, choose one that not only has the expertise you need, but which will value you as a client. The size of the agency and its growth rate should be considered. You will want to know about the agency's experience in marketing intangibles and about its capabilities in copy writing, art, printing, media planning and buying, and research. Personal rapport is another important element in this kind of relationship. Finally, don't forget to check such items as the billing arrangements and what the commissions, fees and other charges will be.

Here are a few ideas regarding specific communication programs:

- ☐ Distribute firm brochures and newsletters to clients, members of organizations such as chambers of commerce and to professionals such as lawyers and bankers. You can also hand out these printed materials in your reception area and at seminars and colleges.
- ☐ Favorable mention in the press will help make your firm known. You can generate publicity from your own writings and speeches, but have public relations people help you with the first drafts. Convert speeches into articles and vice versa.
- ☐ Hold seminars. These don't necessarily have to be industry-oriented sessions for technicians. You can hold seminars on a variety of management concepts for different categories of people such as managers and company presidents.

Finally, one bit of advice concerning marketing professional services that was stressed at this session is to not make the marketing program too complex. Keep it simple and attainable.

To the Editor

I read the article, "Successful Recruiting Techniques for Local Firms" in the September issue and, although I agree with most of the suggestions, I differ with the idea of promoting "small" firms.

Six years ago, I began a college recruitment program for my firm. Now, accounting students at the three major western New York universities know our firm's name as well as they know the name of any other accounting firm, and the quality of our entry level staff is exceptional. It took careful planning, a great deal of effort and all of these six years to accomplish this.

However, the national firms still have one great recruiting advantage which is the connotations attached to the words "big eight" and "small firm" by students. Students associate bigness with success and smallness with something less than success. If I were asked to take part in a "small-firm" day on a campus, I would turn the offer down. Although I would lose the opportunity to explain the advantages of a "local firm," the connotative stigma of "small" would be difficult to overcome. It would hurt my recruiting effort, not help it.

Nevertheless, students do respond to the advantageous characteristics associated with "local firms," and the campus is the place to recruit entry-level people. I suggest to readers that much of their efforts on campuses will be wasted if they are introduced and thought of as representatives of "small firms." They should make every attempt to persuade students and faculty members to use the words "local firm" instead.

–James A. Sachs, CPA
Buffalo, New York

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Increasing Your Return per Partner Hour

Time is one of a local firm's significant assets. Why then is it managed so loosely? Partly because most efforts at time management are made on an individual basis, when a firmwide approach would have far better results. By involving other people and getting them to take responsibility for making the best use of time, you can achieve the discipline that is necessary for successful overall time management.

Long-term planning

The results you want, however, cannot be obtained without long-range plans (months and years) and goals. Without these, the expression "time wasters" has no meaning.

So start with partners' goals for a one- to three-year period. Plans for attaining these goals should be written down and communicated to all staff members. Finally, you must monitor progress to make sure the plan is being followed and that things are really happening.

Time can be wasted by letting the firm become understaffed, by continuing an undesirable client or work mix, by failing to provide the right type of administrative and management systems for a firm of your size, by being in a facility of the wrong size or location and by engaging in wheel-spinning debates over mergers and acquisitions.

Intermediate-term planning

Over the intermediate term (days and weeks), schedules, intermediate-range plans and priority lists (to-do lists) are the time management tools you need. These should be set weekly for the firm and daily for individuals. It is a good idea to take the things you have to do in a given week and assign A-B-C priorities to them. This helps you assess their urgency and values. (See "Musings from Maine" in the December 1977 issue.) Also, delegation is a powerful tool for increasing the return per partner hour. Partners spending time on staff-level work are doing a disservice to the firm, their clients and their staff. As with long-range plans, follow-up analysis of intermediate-term plans is essential.

Neglecting to take the above steps can result in your wasting time putting out fires, in non-productive staff time and in excessive clerical turnover due to unreasonable demands for overtime or rush work. Failure to take these time-saving steps might even mean that you'll keep a $20,000-client waiting while you service $200 tax returns.

Short-term planning

Better time management over the short term (minutes and hours) can be achieved through to-do lists, discipline and time awareness. Because of the need for discipline, frequent reminders are necessary to keep everyone time-efficient. Recognition and behavioral modification techniques help here.

The whole firm must be involved in the time-saving efforts. Partners can work as a team with their secretaries in setting up and keeping to priorities. In addition, the managing partner must put pressure on everyone in the firm to avoid time-wasters. One helpful technique is to use pre-set time targets, analyzing them periodically for reasonableness.

Failure to take these steps results in such easily recognizable time-wasters as excessive casual conversation and longer periods than necessary being spent reading and writing. It also results in needless time being squandered on decision making, interruptions, procrastination and meetings.

Some Time Savers

- ☐ **Plan and schedule work.**
- ☐ **Break up large tasks into parts. Get one done and schedule the remainder.**
- ☐ **Recognize and deal with procrastination.**
- ☐ **Skim or speed read.**
- ☐ **Write down obligations.**
- ☐ **Confirm appointments.**
- ☐ **Group together meetings and phone calls.**
- ☐ **Examine office for efficiency and comfort.**
- ☐ **Don't let paperwork pile up.**
- ☐ **Determine why interruptions occur.**
- ☐ **Set time limits on phone calls.**
- ☐ **Use timers and portable dictating equipment.**
- ☐ **Use daily checklists to review effective use of time.**

To put the time-management concept into practice:

- ☐ Assess the trust level between partners and staff. If low, work to raise it before attempting firmwide time management, otherwise your efforts will be resisted.
- ☐ Have everyone in the firm read one or two books on time management.
- ☐ Request that each staff member keep a record of how his or her time is spent over a period of five working days.

- ☐ Ask everyone to write an individual plan incorporating at least three personal time-management techniques.
- ☐ Hold a meeting of all employees to discuss the time-management techniques working groups will use.
- ☐ Monitor the progress of individual and group time-management techniques. Make one person responsible for seeing that suggestions are (a) practical and (b) followed.
- ☐ Starting with the next planning cycle, require a time budget of all staff and partners. This should list chargeable hours anticipated for the coming year and the allocation of all other firm time among their areas of responsibility. Actual time versus budgeted time should be reported monthly.

One last thought on saving time: set up the firm's timekeeping system so that it promotes analysis of nonchargeable time. Keep in mind that the value of a partner-hour spent on practice management or practice development is even higher than that partner's billing rate.

–by Robert B. Martin
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This article is based on a presentation given by Mr. Martin at the AICPA's management of an accounting practice conference on firm management and administration which was held in Chicago last November.

Planning a Winter Vacation

Did this summer's heat wave have you thinking wistfully of a winter vacation—of such refreshing activities as ice skating and skiing down snow-covered slopes? Well, if it did, here is your chance to combine such a vacation with the AICPA management of an accounting practice committee's second Quality of Life Conference which will be held in Denver, Colorado, on January 12-13, 1981.

The program will be similar to that of the successful 1980 conference, which included sessions on establishing goals to resolve the conflicting demands of personal and professional life, physical fitness, time management and handling stress.

As last time, the conference is for CPAs and their spouses, so plan to arrive before January 12 or stay after January 13 to visit the many resort areas in the vicinity. Watch for an announcement of the final program. For further information, call Jim Flynn at the Institute (212) 575-6439.

Small Business Tax Relief Sought by the Institute

How many times have you been approached by an irate client who has just received his completed tax return and wants to know what CPAs are doing about the tax mess in Washington? Now you can be up-to-date in your reply with the publication of the AICPA's *Tax Recommendations to Aid Small Business.*

This 57-page report, prepared under the auspices of the federal tax division, reflects the official position of the AICPA and has been distributed to all members of Congress and their key staff personnel. It will serve as the Institute's basic document in advocating changes in the tax law where there seems to be discrimination against small business or where there appears to be an undue burden placed on such enterprises.

The report, which is a result of a three-year study by the small business taxation subcommittee, holds that "the need for comprehensive tax legislation directed at small and medium-size businesses has never been more important than today." It states that small business is disadvantaged by the increasing complexity of recent tax legislation and "has great difficulty learning that requirements exist, understanding them and complying with them."

The recommendations are basically in the following areas.

- ☐ *Definition of a small business enterprise* (SBE), especially as it relates to "entrepreneurial flavor" and absence of access to capital markets.
- ☐ *Capital formation proposals* which center on the tax treatment of losses to mitigate the significant risk factors inherent in most small business investments.
- ☐ *Tax-deferred sale of an SBE investment* whereby a "tax-free" result should occur if the seller reinvests the proceeds in another small business or if the sold business remains a small business enterprise.
- ☐ *Continuity of ownership* which includes several recommendations to ease the liquidity problems that arise when a small business comprises a major part of an estate.
- ☐ *Neutrality and simplification* in which the proposals are directed to simplified systems of LIFO inventory and depreciation.

Copies of the complete report are available from the AICPA order department at $6.80 each, with the usual quantity discounts, for members.

The Cost Benefits of an In-house CPE Program

Although some may not recognize the fact, every firm pays for training staff people whether or not it has a formal training program. Let's look at some of the evidence supporting this statement.

One such piece of evidence may be fee write-downs. If we assume that our partners and staff are motivated and that our billing rates are fair, why do we have write-downs? The reason may be that sometimes we have difficulty from a technical standpoint. More often though, we have write-downs because we did not know how to plan and control a job and, consequently, spent too much time reviewing and re-doing. Unnecessary on-the-job training resulting in write-downs can be very expensive.

Losing clients can be another sign of lack of training or, at least, an ineffective training program. Clients don't often leave a firm because of fees; they leave because their needs are not met. Do our partners and staff know how to identify and service the expanding needs of clients? Losing clients is an expensive way to find out.

What is needed, in many cases, is a CPE program that matches a firm's long-range goals rather than one that just meets state or other requirements. The ideal program would also help a firm identify the benefits it will receive and control the cost of CPE. Here are some ideas for setting up such a program.

The benefits to expect

An effective CPE program allows partners and staff to develop professionally as well as personally and meet their changing responsibilities, and gives the firm added assurance that they will meet the required standards of performance. In addition, it is preventive maintenance and should be part of a firm's overall quality control program.

A program that matches the firm's long-range plans should contribute to its profitability by reducing write-downs and helping individuals to obtain and retain clients for the firm. There are also intangible benefits that come from partners and staff meeting and growing in a setting different from the normal work environment such as the boosting of morale and the building of a team.

Determining CPE needs

If we must have a CPE program, why not maximize the benefits? To do this, the firm should first determine specific training needs by priority. Then and only then should the sources of training programs be considered. If we know our training needs, we can evaluate the various sources cost-effectively.

The first step in determining CPE needs is to recognize when a training program is not the whole answer. For example, formal training will never replace on-the-job development and supervision. It can speed up the process of learning new information and skills, but it cannot replace experience.

If a professional staff person can read, understand and apply technical information, no specific training program may be needed. Also, a person should not receive formal training in an area if that training will not be put to immediate use. If the individual is eventually involved in that area, he will have to be retrained anyway because, to be most effective, formal training should be reinforced immediately by work on the job. We should limit training programs to the imparting of significant new information, e.g., changes in the tax law, and to the development of new skills needed by individuals because of changing responsibilities.

A program may well be a good one, but it may not meet the priorities of either the firm or an individual. To determine specific CPE needs, you should consider asking partners and staff about their perceived needs as part of your annual review process or organizing a committee to address the issue. These approaches will probably enable you to identify more CPE needs than you can satisfy immediately. The key is to establish priorities—make the training fit the long-range plans of the firm. Some factors that should be considered include the

- ☐ *Long-term benefit.* Will the investment in training pay back for both the individual and the firm in the long run?
- ☐ *Risk that the need might not be met.* If partners and staff are not properly trained, do we have a quality and monetary risk?
- ☐ *Number of professionals in the firm having a similar need.* Is the number sufficient to warrant development or presentation of in-house programs?

Sources

Having determined the firm's CPE priorities, we can now look at sources (materials and instructors) to meet these needs (see exhibit on the following page).

To maximize cost effectiveness, the firm should buy any materials that are appropriate to the practice. In most cases, these will be at least 70–80 percent relevant to the firm, leaving only a commitment of time and money to customize 20–30 percent of the course materials. This will always be cheaper than developing new materials. Only if you cannot find satisfactory materials from other sources, should you consider developing them in-house.

As to instructors, I will reverse my position. The first choice should be the use of in-house instructors. No one understands your firm, clients and staff as in-house personnel do, and teaching CPE courses will add to the personal development and recognition of the instructors. One caveat, though: make sure that your in-house instructors receive discussion-leader training so that they can handle the assignment well.

A second option is the use of an outside consultant, who should be teamed with an in-house person where possible to improve the relevance of the program to the firm. Be certain that any consultants you hire understand our profession. Preview their materials and get references from other firms.

Outside programs can, of course, be another source of both materials and instructors. Send only one person to a presentation of the program and have that person evaluate it before you commit significant resources.

Care must be taken to ensure that an outside program is relevant to the needs of your practice, otherwise it is a complete waste of time and money. It is not just the direct costs of a CPE program that are significant. The time spent by instructors and participants and the amount spent on travel, food and lodging must also be considered. Often, the money spent on away-from-home expenses would have been better spent in developing the firm's in-house CPE program. However, the quality of a particular course is an important factor, so you will probably find that an effective overall program involves both elements.

Each firm should design a CPE program based on its own training needs, select the sources of materials and instructors, develop a budget of both the time and cost and evaluate the results of the program at least annually. This way, the firm can make decisions as to the desirability of in-house or outside courses and get the best value for the dollars invested in CPE.

–by Carolyn C. Alden, CPA
Alden & Associates
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Sources of CPE programs

I. Traditional sources
   A. AICPA
      1. VideoFlex™—video instruction with a coordinated workbook which can be used by a group or an individual
      2. KESSettes™ — Sidney Kess, CPA of Main Hurdman & Cranstoun and a consultant in tax training for CPAs, presenting his tax workshops for video
      3. Formal self-assessment programs — assessment components with computer feedback and an educational component providing critiques of the participant's performance
      4. Self-study materials
         a. CPAudio cassette workbook courses
         b. Management education portfolio
      5. Lectures, conferences and workshops
         a. Hot topic lecture series
         b. National conferences and AICPA instructor dependent programs
         c. Annual updating workshops
      6. National training programs—tax, MAS, banking, government
      7. Professional training programs—staff through partners
      8. Seminars
         a. State society public presentations
         b. For in-house presentations
      9. Modules and mini-courses
         a. State society chapter presentations
         b. For in-house presentations
   B. State societies
      1. Lectures, conferences and workshops
         a. Conferences (e.g., personnel, industry)
         b. Annual updating workshops
      2. AICPA VideoFlex™ and KESSette™ video programs
      3. Seminars
         a. Packaged presentations using either state society or AICPA course materials
         b. For in-house presentations
      4. Modules and mini-courses
      5. Self-study programs (mostly AICPA)
   C. Professional groups
      1. American Management Associations (AMA)
      2. National Association of Accountants (NAA)
      3. Canadian Institute of Chartered Accountants (CICA)

D. Governmental agencies
   1. Federal (e.g., SEC, SBA, IRS)
   2. State and local

E. Industry associations
   1. Types (banking, savings & loan, trucking, etc.)
   2. Availability of the profession
   3. Qualification for CPE credit

F. Colleges and universities
   1. Executive programs
   2. Continuing education programs
   3. Graduate programs, especially in taxation
   4. Co-sponsored programs
      a. AICPA (Illinois, Michigan, Texas, Virginia)
      b. State societies
      c. Firms

II. Nontraditional sources

A. Affiliations of accounting firms—national, state and local
   1. Staff training—consortiums
   2. Sharing of experiences seminars
   3. Practice management seminars

B. Educational consultants
   1. Providers of the entire CPE package
   2. Course developers
   3. Resource persons

C. State societies
   1. Providers of seminars for one or more firms on an in-house basis
   2. Joint ventures sponsored by one or more state societies and underwritten by a firm

III. The EDMAX library

A. EDMAX
   1. Outgrowth of the advisory panel to the AICPA's professional development division—1971
   2. Constituent subcommittee of the continuing professional education division—1973
   3. Objectives
      a. To share educational materials with the profession
      b. To encourage cooperative course materials development
      c. To share ideas and developments in professional education
      d. To monitor legislative proposals
      e. To sponsor and conduct a national CPE conference

B. Library operations
   1. Located at the AICPA offices in NYC
   2. Membership requirements: being reexamined; now $400 annually; a minimum of one day's professional education materials annually; reasonable participation in semiannual meetings and task force assignments
   3. Membership entitlements: materials withdrawal privileges equal to contributions; attendance at semiannual meetings and educational seminars; task force reports

C. Contents of the library—an up-to-date listing available of materials in the library

D. Access to the library
   1. By all AICPA members, who can visit the library, review the materials, and make manual transcriptions—the use of recording devices or copying equipment is proscribed
   2. By EDMAX members, who may withdraw materials (copies will be prepared by the Institute at a nominal cost) to the extent of their contribution

Billings— Any Number Can Play

"How Would You Bill This?" was the title of an item in the June issue, which included an illustrative engagement for which a sample of our local firm readers was asked to prepare bills. According to the 104 respondents to the nationwide postcard survey, the answer is "differently from anybody else."

A total of 94 different billings was given, ranging from $950 to $2,700. Even most of the "duplicates" were computed differently. Although 12 firms exceeded the highest amount reported in the 1979 study discussed in June, the median was almost identical: $1,605 vs. $1,600. The middle 50 percent of firms were in the $1,405 to $1,850 range, with the top 25 percent pretty evenly distributed up to the reported maximum.

To the extent that this limited survey reflects accounting firm billing practices in the past year, the big item of interest is that firms have apparently decided to absorb some of their inflation-caused costs in view of their clients' recession-incurred difficulties.

Among the three professional levels, only the partner's median fee has increased—from $45 to $50—while the rates for seniors and juniors remain the same as last year—$30 and $20 respectively. The increase in partner fees is also reflected in the fact that one third of the partner rates are $60 or more.

Practically all clients get billed for typing charges, which generally range from $10 to $15 per hour, with $13 as the median. This is about $1 per hour higher than the 1979 rate charged for these services.

About one third of the firms do not charge for photocopying as shown on the sample, and more than half would absorb the $2.96 mailing cost. Those that included a charge for these services tended to bill a minimal amount, although 10 firms put in for $100 or more on a combined basis.

The June article reported a substantial increase in billing rates between 1977 and 1979 (the median of the total billing amount rose 36 percent), but there seems to have been little movement since then, except in isolated cases.

The following chart represents the median figures based on the postcard survey.

How Would You Bill This? July 1980 Medians

Assume you are doing an unaudited annual report and a federal income tax return for a corporation. You have been representing this client for several years and this engagement is similar to that of previous years. The client has two people in the office, a competent full-charge bookkeeper and an assistant.

Description	*Hours*	*Rate*	*Amount**
Partner/proprietor	10	$50	$500
Senior (3 years' experience, certified)	20	30	600
Junior (18 months' experience)	20	20	400
Typing and checking	10	13	130
100 photocopies of reports and returns			various
Mailing reports and returns, $2.96			
Total proposed billing			$1,605*

**Median for each item was computed separately, so total amount is not the sum of the items.*

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